



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
LEWIS COUNTY CLERK**

Calendar Year 1998

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
WWW.KYAUDITOR.NET**

**144 CAPITOL ANNEX
FRANKFORT, KY 40601
TELE. (502) 564-5841
FAX (502) 564-2912**

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES	3
NOTES TO FINANCIAL STATEMENT	6
COMMENT AND RECOMMENDATION	11
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS.....	15



Edward B. Hatchett, Jr. Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable George M. Plummer, Lewis County Judge/Executive

Honorable Shirley A. Hinton, Lewis County Clerk

Members of the Lewis County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Lewis County, Kentucky, for the year ended December 31, 1998. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1998, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable George M. Plummer, Lewis County Judge/Executive
Honorable Shirley A. Hinton, Lewis County Clerk
Members of the Lewis County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance.

- Elected Officials Should Disclose Possible Conflict Of Interest To County Ethics Commission

In accordance with Government Auditing Standards, we have also issued a report dated December 30, 1999, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 30, 1999

LEWIS COUNTY
SHIRLEY A. HINTON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1998

Receipts

State Fees For Services	\$	7,297
-------------------------	----	-------

Fiscal Court		2,620
--------------	--	-------

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	249,163
------------------------	----	---------

Usage Tax		609,710
-----------	--	---------

Tangible Personal Property Tax		452,199
--------------------------------	--	---------

Licenses-

Fish and Game		11,082
---------------	--	--------

Marriage		5,382
----------	--	-------

Occupational		1,230
--------------	--	-------

Deed Transfer Tax		20,070
-------------------	--	--------

Delinquent Tax	50,270	1,399,106
----------------	--------	-----------

Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$	10,006
---------------------------------	----	--------

Real Estate Mortgages		10,132
-----------------------	--	--------

Chattel Mortgages and Financing Statements		57,028
--	--	--------

All Other Recordings		428
----------------------	--	-----

Charges for Other Services-

Candidate Filing Fees		2,090
-----------------------	--	-------

Copywork	1,610	81,294
----------	-------	--------

Other:

Fixture Filing	\$	127
----------------	----	-----

Notary Bonds		3,345
--------------	--	-------

Marginal Releases		6,939
-------------------	--	-------

Late Filing Fees		460
------------------	--	-----

Miscellaneous	47	10,918
---------------	----	--------

Gross Receipts (Carried Forward)	\$	1,501,235
----------------------------------	----	-----------

LEWIS COUNTY
 SHIRLEY A. HINTON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Gross Receipts (Brought Forward) \$ 1,501,235

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 188,146	
Usage Tax	591,493	
Tangible Personal Property Tax	189,472	

Licenses-

Fish and Game	10,888	
Delinquent Tax	7,633	
Legal Process Tax	13,467	
Marriage Licenses	<u>2,106</u>	\$ 1,003,205

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 54,606	
Delinquent Tax	5,856	
Deed Transfer Tax	19,067	
Occupational Licenses	<u>749</u>	80,278

Payments to Other Districts:

Tangible Personal Property Tax	\$ 190,033	
Delinquent Tax	<u>20,422</u>	210,455

Payments to Sheriff 3,091

Payments to County Attorney 8,915

Operating Disbursements:

Personnel Services-

Deputies Salaries	\$ 76,582	
-------------------	-----------	--

Employee Benefits-

Other Payroll Disbursements	226	
-----------------------------	-----	--

Contracted Services-

Printing and Binding	2,186	
----------------------	-------	--

Supplies and Materials-

Office Supplies	15,673	
-----------------	--------	--

SHIRLEY A. HINTON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1998
 (Continued)

Disbursements (Continued)

Operating Disbursements (Continued):

Other Charges-

Conventions and Travel	\$	146	
Dues		400	
Postage		4,672	
County Clerk Bond		213	
Refunds		2,317	
Candidate Filing		1,170	\$ 103,585

Total Disbursements	\$	1,409,529
Net Receipts	\$	91,706
Less: Statutory Maximum		48,726
Excess Fees	\$	42,980
Less: Expense Allowance		3,600
Excess Fees Due County for Calendar Year 1998	\$	39,380
Payments to County Treasurer - February 24, 1999		39,380
Balance Due at Completion of Audit	\$	0

The accompanying notes are an integral part of the financial statement.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1998

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.65 percent.

LEWIS COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 1998
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk met the requirements stated above, and as of December 31, 1998, deposits were fully insured or collateralized at a 100% level with collateral held by the county official's agent in the county official's name.

THIS PAGE LEFT BLANK INTENTIONALLY

COMMENT AND RECOMMENDATION

LEWIS COUNTY
SHIRLEY A. HINTON, COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1998

STATE LAWS AND REGULATIONS:

Elected Officials Should Disclose Possible Conflict Of Interest To County Ethics Commission

The Lewis County Code of Ethics states that no county officer, or an employee of a county government, shall have an interest in a business organization or engage in any business, transactions, or professional activity which is in substantial conflict with the proper discharge of their duties in the public interest. During our audit, we noted the County Clerk is a member of the Board of Directors at the bank where she maintains deposits of public funds. This relationship appears to be a conflict of interest according to the County Code of Ethics. We recommend the County Clerk disclose this possible conflict of interest to the County Ethics Commission and ask the Commission to issue an opinion as to the appropriateness of the membership.

Response:

I will immediately contact the Lewis County Code of Ethics Commission and ask for an opinion to be issued as to my position as a member of the Board of Directors. I will take care of this situation in a timely manner.

THIS PAGE LEFT BLANK INTENTIONALLY

REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable George M. Plummer, Lewis County Judge/Executive
Honorable Shirley A. Hinton, Lewis County Clerk
Members of the Lewis County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Lewis County Clerk as of December 31, 1998, and have issued our report thereon dated December 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Lewis County Clerk's financial statement as of December 31, 1998, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Lewis County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable George M. Plummer, Lewis County Judge/Executive
Honorable Shirley A. Hinton, Lewis County Clerk
Members of the Lewis County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
December 30, 1999

